1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

241 473 types, and low yield depressing to the ambitious farmer. The Basra date industry, in which British and American packers and exporters had a dominant share, made its divisions yet more explicit in 1933 by the appearance of rival organizations within it: the Government-approved Date Growers Association on the one side, and an association of date packers on the other. The clash of interest and tactics between these two, both fully representative of their respective interests, resulted in disastrous conditions in the industry and led in 1935, after a visit to Basra by Yasin Pasha, to the passage of a law establishing a Date Board with representatives of all Basra date interests and its own direction and revenues derived from a small export tax; it effected for a time a marked improvement in growing, packing, and exporting conditions. A Committee was set up in 1933 to investigate beet-sugar production, and found reason for hopefulness. The first suggestions were heard of a monopoly for the manufacture and marketing of tobacco products, and meanwhile something was done to improve the drying, cutting, and packing of the Kurdish leaf. 'Iraqi cotton, the object of high hopes ten years before, passed through a depressed period. The crop climbed slowly to 5,000 bales by 1928, only to drop almost to nothing and to recover to 3,000 bales in 1934. Thereafter substantial yearly increases appeared, and by 1938 15,000 bales were produced. Among the cotton-growers was the Latifiya Company (p. 213), an enterprise which, however, found itself early in its career in serious difficulties. It failed in its undertaking to repay the cost of its canal to Government, and in 1935 control was assumed by Messrs. Andrew Weir & Co.; thereafter, with fresh finance and a revision of its agreement with Government, the progressive agricultural work of the estate could proceed. It was to remain under single and personal British management for the next twenty years. The Agricultural and Industrial Bank was unable, in its early years, to do much for the public.

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241 312 Pump irrigation, which the economic crisis of 1929–31 and the prevailing low prices involved in widespread losses and stoppages, recovered gradually after 1933 and stabilized itself as a main feature of 'Iraqi production. It had introduced, for better or worse, a new element into local agriculture—the urban capitalist; and it helped thus to lead part of the wealthier class to a fresh interest in rural affairs and modern forms of land development. In flow irrigation the period—the first in which surplus State funds became modestly available, thanks to oil royalties—was one of progress. The first stage of the forty-mile Abu Ghurayb canal, from the Euphrates left bank below Ramadi, was completed in 1936 with a considerable commanded acreage. The Mishkhab regulator, low down on the Kufa channel of the Euphrates, was built in 1936. A canal deriving

[459] [125]

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1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

Haydar, the Finance Minister, and indicated an anticipated expenditure of £11 million in four years. For the moment, great loss was incurred by the disastrous fire which raged on and after 27 August in the Suq al-'Aṭṭariya of Baghdad and was extinguished only after great efforts. The Jews, as usual, were blamed. Slack demand and low prices in the date trade in 1938 and 1939 strained to excess the organization and harmony of the Date Board (p. 262) and led to its replacement, under a new law, by a Date Association in 1939. This was endowed with larger funds and powers, and a field of action covering all southern 'Iraq and all branches of growing and marketing. H. I. Lloyd, a veteran of the 'Iraq service as administrator and judge, became Director-General. An early act of the Association was to grant to Messrs. Andrew Weir a five-year monopoly for handling the purchase and export of packed dates.

The outbreak of War in September 1939 led in Baghdad inevitably to a period of financial and commercial panic, with suspension of credit, a run on the banks, buying and hoarding of food and stocks, and an abrupt rise in prices. But confidence was quickly restored and, though some dislocation of communications and shortage of shipping were felt, economic conditions returned almost to normal. In spite of the State of Emergency declared and the issue of a 'Decree for the organization of 'Iraq's economic resources' with nominal Government control of exports and imports, and the establishment of a Central Supply Board, interference in normal trading was in effect slight. There was no black-out, no air-raid precautions, and little sign of war restrictions save press and postal censorship. The date export was well organized under the new monopoly, and the British Government placed a large order for 'Iraqi barley, which was profitably fulfilled.

The Prime Minister announced on 4 September that 'Iraq would fully honour the terms of the British alliance, and thereunder would furnish all 'facilities and assistance' as provided in the Treaty. Of 'Iraq Army mobilization there was no question. Diplomatic relations with Germany were broken off, Germans interned and their property sequestrated, while their interests were entrusted to the Afghan Legation. Dr. Grobba left the country, and his propaganda organization was temporarily merged in that which had its centre at Teheran. Telegrams were exchanged between the Regent and King George VI, and every assurance given to the British Ambassador of 'Iraq's goodwill and acceptance of its obligations. Nuri Pasha's conceptions went, indeed, further than this; he envisaged a modification of the Sa'dabad Pact such as to lead to joint military and political action by its signatories, whom Egypt might join; but of such projects nothing was in fact realized.

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

241 185 473 The Laṭifiya was no longer the only large-scale modern estate in operation. The Date Board, which had done much to modernize and stabilize the production and marketing of dates—and not those of the Shaṭṭ al-'Arab only—had wisely retained the system of export monopoly, with suitable amendment of terms and prices, throughout the war and after it, but the three-year extension granted to Andrew Weir & Company in 1950 was likely to be the last; the National Date Trading Company founded in that year would probably assume the functions of the export monopolist. Of the Company's own shares, 49 per cent. were allotted to the Date Association, 26 to the public, and 25 to the foreign packers and exporters.

654 242 185 Government maintained a College of Agriculture with a three-year course and main experimental estates at Abu Ghurayb (for agronomy, animal husbandry, pests, and soils) and at Za'faraniya (for horticulture, fruit, and vegetables), with smaller stations at Bakrajo, Ḥawija, Nineveh, Aski Kellek, and Baṣra, a main forestry station at Arbil, and nurseries in every liwā. Its experts selected, tested, and issued new seed varieties designed for higher yield, quality, and resistance: combated pests, notably by locust campaigns in the technique of which 'Iraq claimed to lead the world: caused the erection of a grain silo at Baghdad, and proposed another and greater at Baṣra, with modern grain storage bins at many centres. The department was in touch with local industry which could use as raw materials 'Iraqi oil-seeds, cotton, dates, barley, beet, wool, and tobacco. It was planning large-scale experiments in estate-management, and seeking crop rotations which would diminish the use of a fallowing system now recognized as intolerably wasteful. It was encouraging the growth of rural co-operative societies under the 1944 law, increasing its departmental Inspectorate, and founding Chambers of Agriculture. It interested itself in rural education and established agricultural schools in every liwā. It was promoting village settlement, in which field the interesting and promising Dujayla smallholding community (p. 323) was extended and perfected, and the foundation of others in the Ḥawija and elsewhere was put in hand. The Development Board allotted in 1951 more than 4 million dinars for the provision, in six years, of artesian wells and drinking-water supplies. The mechanization of agriculture was fostered by a country-wide system of depots and repair shops, administered as a Government monopoly under a special law and a separate Directorate-General; indeed, all the importance of mechanization—even with its serious difficulties of proper maintenance and supply—was appreciated as part of a future 'Iraqi agriculture which with great new areas under controlled irrigation was likely to find not land or water but man-

The ten industries referred to in the table are: cotton spinning and weaving (one establishment), cement (one establishment), wool spinning (two establishments), modern tanning (five establishments), beer (one establishment), alcohol (three establishments), vegetable oil (one establishment), modern soap making (one establishment), artificial and natural silk weaving (six establishments), jute spinning and weaving (one establishment still under construction). The total is 22 establishments all of which enjoy government assistance under the Law for the Encouragement of Industry, and practically all have received financial aid in the form of loans or capital participation from the Industrial Bank. None of them employs less than 20 workers, and the majority employ over a hundred workers. All use power-driven machinery. It is interesting to notice that most of these industries are owned by joint-stock companies and that they have distributed profits during the last three years ranging from 9 per cent to 25 per cent.

Obviously the table does not cover the whole field of industrial development in Iraq. It has been constructed on the basis of a selected sample to show the rapid progress made in recent years. The unusual increase in ouput compared with the rate of capital investment as shown in the table is to be explained by the fact that most plants were still under construction or half-completed in the early years. A complete survey of the industrial sector in the economy of Iraq is still to come. The Central Bureau of Statistics, Ministry of National Economy, is expected soon to embark on this task. Such a survey will have to cover, in addition to those industries included in the above table, the following:

(a) Other modern industries in the private sector which represent a substantial portion of the whole, such as flour milling, workshops and agricultural machine repair shops, printing, cotton ginning, cigarette manufacture, the building materials industry, shoe-making, etc.

(b) The great oil industry owned and operated by powerful foreign concerns holding concessions from the Government. The oil companies produced nearly 8 million tons of crude oil and 400,000 tons of refined products in 1951, and employ over 12,000 workers. Their production is expected to rise to 20 million tons of crude oil in 1955-56.

5:al Dalli S-5 (no date)1954 MHI Iraq MHI

in 1952, but it can safely count on an annual payment by the Treasury on capital account of no less than I.D. 200,000. The Bank therefore can be said to be now in a sufficiently liquid position to meet any legitimate demands made upon it.

The International Bank Mission[1] has recommended that "the Bank's capital should be used primarily as a revolving fund. The Bank should generally dispose of its industrial shares whenever an enterprise becomes profitable and, therefore, capable of attracting more private capital." This view is no doubt inspired by the shortage of capital from which the Industrial Bank, as well as other financial institutions, had suffered before the Oil Agreement of 1951. It is clear that the Bank must not, however, be hasty in disposing of shares if it is to perform its important function of encouraging enterprises and capital investment in industry. This can be seen more clearly from the following considerations. First, most of the industrial concerns in which the Bank participates are still under construction (a process which requires two to four years in Iraq), and the few which have gone into production and distributed profits have only done so in the last three or four years. Any large sell-out by the Bank, which holds between 25 and 40 per cent of their shares, is likely to shake confidence in these concerns and create unforseen difficulties for them. Secondly, there is no organised stock exchange in Iraq and the market for shares is so limited that any large sale of shares may lead to a fall in prices which would hit small investors and benefit speculators, while it might harm the credit of the Bank. Thirdly, the stake which the Government now has in the capital of so many industrial concerns helps to reassure private enterprise that it will not retreat from the generous policy it has so far adopted towards industry. Another important consideration in this respect is that Government participation in industry through the Bank gives it a useful instrument, if it wishes to make use of it, for the supervision and control of industry.[2] It seems obvious therefore that the Bank cannot easily use its capital as a revolving fund.

(2) The Supply of Raw Materials and Power: Iraq is potentially

1 See the International Bank of Reconstruction and Development. *The Economic Development of Iraq*, Report by a Mission of the Bank. Washington 1952. Annex D. p. 295.

2 During the past five years, the Bank has made, only one sale, 3,000 shares out of 24,000 shares it then held in the Iraq Cement Co., in 1951, by public auction.

for some time. Women have been employed so far only in exceptional cases. A new problem has been recently experienced in the high turnover of ordinary labour. Owing to the development of the oil industry in Kuweit and other Persian Gulf areas, and the high wages being paid there, many workers in Baghdad, and more still in the depressed farming areas, have been emigrating there. The turnover in the cotton textile industry of Iraq is estimated at 20 per cent of employed labour. 464

The main difficulty however lies in the shortage of skilled and semi-skilled labour. The vast amount of illiteracy among the population, and the failure to make elementary education compulsory has made it difficult to apply any system of apprenticeship successfully. Technical education provided by the State has so far been on a very limited scale - indeed, there are only three technical secondary schools in the whole of Iraq. Therefore a new industry has often first to train its own labourers and technicians, and this of course adds to costs. In the meanwhile, most industries are dependent on foreign technicians, experts, constructors, heads of sections, and foremen. The employment of foreign technicians no doubt is inevitable in the early stages of development, but it has its own drawbacks and burdens. Foreign skill demands higher rewards abroad than it would accept at home, the standard of skill obtained is often not the highest, service is often interrupted either by ordinary leaves, or illness or inability to fit in with local conditions. [212 871] [874]

The lack of qualified labour also applies to the fields of administration, accounts, and management. Efficient clerks, typists, store-keepers, accountants and secretaries are in great demand and very few are available in Iraq. The inadequacy of State commercial education is no less than that of technical education. The scarcity of able management is a serious obstacle to the progress of industry. Those few who have entered the field of industry are mostly of the type of proprietor-manager (even in joint-stock companies managers are usually fairly large share-holders); while the members of boards of directors of industrial companies, (about twenty to twenty-five men) mostly have their own business or profession to attend to. No wonder they show reluctance to go into new enterprises. For one reason or another salaried managers have not made their way into industry, except in very rare cases. On the other hand foreign management, especially on the [658 874] 464 472 473

464 production side, is quite common. Often foreign managers are
472 employed as experts on the basis of a monthly or annual salary,
473 sometimes with a commission in the form of a percentage of net profits. In one case at least production management is given to an independent foreign firm of engineers against a fixed annual payment. This so-called "managing agency system" has been recently introduced in Iraq and has not given rise to any complaints yet. The "system" however has resulted in many abuses in India where it is widely used, and it is now under investigation in that country.[1]

648 6. **Foreign Capital and Participation**: Except where foreign enter-
457 prise has obtained a concession for the development of important
471 resources such as oil, or the supply of light and power as in the Baghdad area, there is very little foreign capital invested in industry as such. Foreign capital for reasons beyond the scope of our discussion has been invested in Iraq mainly in trade and commercial banking (short-term lending). It may be to the benefit of Iraq to induce foreign capital, and perhaps management, to participate in industry. One of the best ways to get the advantage of foreign technical skill and experience, and to bridge the gulf between the existing state of technique in Iraq and that attained by highly organised industry abroad, is to encourage foreign firms to establish branch factories in Iraq. Such branches would have their own capital and management in which Iraqi nationals and foreigners could join together on an agreed basis. It is possible that the limitation of market and geographical position may discourage foreign firms from taking this course. Some of them would require special concessions to induce them to come to Iraq. Many of them are perhaps ignorant of the possibilities that exist. And many others may require some guarantees as to: (a) the remittance of profits and repatriation of capital, (b) equal treatment with Iraqi capital and industry, (c) in case of nationalisation, fair and equitable compensation. In all these respects Iraqi practice in the past has been quite generous, but there is no legislation
647 which clearly defines government policy toward foreign enter-
656 prise. The Law for the Encouragement of Industry (1950) stipu-
471 lates that 55 per cent of the capital should be owned by Iraqi

[1] *The First Five Year Plan, Draft Plan.* Government of India, Planning Commission, July 1951, p. 161.

the Law for the Encouragement of Industry are granted irrespective of the locality in which the Industry is to be established or the type of industry embarked upon. Industries established in crowded, highly developed areas are given the same advantages as those established in remote, less developed districts. The manufacturer of producer's goods is treated equally with the manufacturer of consumers' goods and luxury goods. The criteria upon which an industry's claim to benefits is judged stand in need of drastic revaluation.

The limitation of the market in Iraq not only restricts the possibilities of large-scale development of most industries but it affords opportunities for monopoly control by one or two plants in certain fields. The danger of monopoly and exorbitant prices is already in sight in such industries as cement, beer, cotton and woollen textiles. The encouragement of new enterprise in these fields, or the relaxation of state protection to allow healthy competition, or direct intervention by the state to fix prices in relation to costs, is necessary to restrict monopoly power in the interests of the consumer and to preserve public confidence in industry. It is only on the basis of such confidence that the government can continue to give support and material aid to industry. The Iraqi Government has ample powers for dealing with the abuses of monopoly under the provisions of the Law for the Organisation of Economic Life of 1941.

The government can also extend its control over industry and prevent abuses by proper amendments to the law governing joint-stock companies. There is need to restrict the grant of free-shares or "water" shares to promotors, the creation of founders' shares with special powers of voting or percentage of profits, the interlocking of directorships, and abuses on the part of management in respect of purchases of materials and equipment, and sales of finished products. In particular, managers of joint-stock companies should be prohibited from trading on their own account especially in goods related to firms under their management.

The Industrial Bank has often been urged, as a shareholder in many industries, and with its representative on their boards, to exercise control over their price and sales policies. This suggestion derives from the prestige which the Bank has acquired in relation to industrial development. It has undoubtedly helped to iron out many difficulties, to improve management, and prevent abuses. But it is going too far to suppose that the Bank can actual-

652 ly control the price, sales and purchases policies of such indus-
473 tries. In the first place, though the Bank holds a large proportion of the capital (varying between 20 and 40 per cent) of every industry, it is always in the minority on the Boards of Directors ; moreover it appoints its own representatives and is excluded from taking part in the election of other directors by the articles of association of the companies concerned. This course has been deliberately taken so as to ensure private enterprise against arbitrary action on the part of the government. Secondly, the Bank itself is, in the last analysis, a profit seeking institution and therefore it is not likely to stand in the way of any measures likely to increase profits, unless they are of an obviously oppressive or abusive nature. Thirdly, the main duty of the Bank is to promote industry. Promotion and control are not always compatible.

656 For these reasons the State has to look for other ways, and to
475 use more fully the legal powers which it already possesses, for effective control over industry. The fact that it owns a share in industry through the Industrial Bank puts it in a better position to exercise such control. But to rely mainly on the Industrial Bank for this purpose is to escape responsibility.

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

Dates

Dates, one of the principal foods of Iraq, are also a main export crop. While Iraq's pre-eminence in the world date market will not easily be threatened, the quality of dates has apparently declined and replacement of old trees has been far from adequate. Not more than 15 percent of the old gardens have under way a tree-planting program sufficient to replace old and deteriorating stands. More than 60 percent of the gardens are in poor condition owing to inadequate cultivation. Halfa, Johnson and Bermuda grasses have been allowed to become serious pests, causing considerable damage. Yields could be improved by better cultivation, manuring, fertilization, reduction of other fruit trees planted in date gardens and improvement in irrigation through the cleaning of canals and the installation of more pumps. Processing of the crop could also be improved, for old packing sheds where primitive methods of handling are employed are still in use.

Responsibility for promotion and improvement of the date industry is entrusted to the Date Association under a law approved in 1935. Ever since 1939 the Association has had a contract with the Andrew Weir Company whereby the latter undertakes to buy at fixed prices and export all the dates of the best varieties offered for sale from the Basra district. There is general agreement among the growers that this arrangement has helped to stabilize prices. On the expiration of the current contract with Andrew Weir after the 1952 season, the Association hopes to conclude a similar agreement with a newly-formed Iraqi company. The Association, the growers and the foreign companies engaged in the date trade are each expected to subscribe one third of this company's capital of ID 500,000. Consideration is also being given to extending its price-support operations to the dates grown in the Tigris-Euphrates valley. In addition, the Date Association is contemplating a distillery to convert into alcohol dates which are surplus to market needs.

There is considerable danger that in carrying out these ambitious plans the Association will neglect the need for better cultural practices stressed above. The Association has already been criticized for doing little to improve the production of dates. It would be unfortunate if it followed the precedent set by the Tobacco